

PROPOSED LEGISLATIVE PROCESS FOR THE UNIFIED COMPUTER BUDGET SUMMARY DURING THE 2001 LEGISLATURE

Prepared for the
IT Management Study Subcommittee
by

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EXECUTIVE SUMMARY

House Bill 2 Language

Section 9 of HB 2 requires the OBPP to provide a Unified Computer Budget Summary to the legislature so the legislature can “make policy decisions that result in establishment of and adjustment in computer-related expenditures by agency and program and within fund types.” Section 12 of HB 2 directs that the Unified Computer Budget Summary provided by the OBPP be reviewed by the joint appropriations subcommittee on long-range planning, or another legislative committee. HB 2 further directs that the committee reviewing the Unified Computer Budget Summary shall be composed of members of the House Committee on Appropriations and Senate Committee on Finance and Claims.

Introduction

This report reviews the options and issues the interim Information Technology (IT) Management Study Subcommittee may wish to consider as it provides a recommendation for the process to be used by the 2001 legislature in addressing the HB 2 required Unified Computer Budget Summary. The subcommittee will address two major issues:

1. what legislative committee is right to review the Unified Computer Budget Summary; and
2. what is the appropriate level of decision involvement for the committee?

Committee Selection Options

Table 1 Committee Selection Options			
Evaluation Criteria	Option 1 Select Subcommittee	Option 2 Long-Range Planning Subcommittee	Option 3 Joint Meeting of House Appropriations and Senate Finance and Claims
Membership complies with the restrictions of HB 2 Section 12	- meets HB 2 criteria	- meets HB 2 criteria	- meets HB 2 criteria
Session logistics	- adds a new subcommittee	- existing subcommittee	- large membership limits room and member availability
Subject matter knowledge:			
Program issues	- good knowledge of program-specific issues	- least knowledge of program-specific issues	- broadest level of knowledge of program-specific issues
Alternate funding options	- least knowledge of alternate funding issues	- good knowledge of alternate funding issues	- broadest knowledge of alternate funding issues
Statewide perspective	- would add program perspective to evaluation	- limited on program perspective	- would add program perspective to evaluation

Table 1 summarizes the issues associated with the decision of what committee is appropriate for addressing the IT issues. The options the subcommittee may wish to consider are:

- ☐ Option 1: Select Subcommittee (*staff recommends*)
- ☐ Option 2: LRP
- ☐ Option 3: Joint Meeting of House Appropriations and Senate Finance and Claims

Staff Recommendation – Committee Selection Options

Staff recommends that a select subcommittee address IT-related appropriation issues during the 2001 legislative session (Option 1). A select subcommittee would provide the most flexibility to create a subcommittee made up of legislators with IT knowledge as well as program-specific knowledge, including long-range planning. Since the issue is specific to IT, members with IT knowledge would augment the program knowledge the membership would have. A select subcommittee would also be able to deal with the Unified Computer Budget Summary from a statewide perspective and would not have to do this while competing for committee time with other assigned duties, since the Unified Computer Budget Summary would be the sole reason for the subcommittee's existence.

Committee Involvement Options

Table 2 summarizes the issues associated with the decision of the level of involvement the committee should have in dealing with the budget requests and other information contained in the Unified Computer Budget Summary. The options the subcommittee may wish to consider are:

- ☐ Option 1: Policy Recommendations
- ☐ Option 2: Policy Decisions
- ☐ Option 3: Policy Decisions and IT-Related Internal Service Rates (*staff recommends*)
- ☐ Option 4: Policy Decisions, IT-Related Internal Service Rates, and Budget Decisions for Major IT Projects
- ☐ Option 5: Policy Decisions, IT-Related Internal Service Rates, and Budget Decisions for all IT Budget Request

Table 2 Committee Involvement Options					
Evaluation Criteria	Option 1 IT Policy Recommendations	Option 2 IT Policy Decisions	Option 3 IT Policy Decisions + IT Internal Service Rates	Option 4 IT Policy Decisions + IT Internal Service Rates + Budget Decisions on Major IT Projects	Option 5 IT Policy Decisions + IT Internal Service Rates + Budget Decisions on All IT Budget Requests
Objectives expressed in HB 2	- may satisfy HB 2 objectives	- satisfy HB 2 objectives	- may satisfy HB 2 objectives	- more involved than the HB 2 language states	- significantly more involved than the HB 2 language states
Conformity with budget statutes	- conforms	- conforms	- potential for fragmenting approval of program budgets	- apparent contradiction to 17-7-102, MCA, (fragments approval of program budgets)	- contradicts 17-7-102, MCA, (fragments approval of program budgets)
Impact on appropriation process	- no impact	- no impact	- minimal impact	- could delay approval of program budgets and cause duplication of work	- significant delays in program budget approval and would cause duplication of work
Subject matter knowledge	- statewide view with little program specific knowledge needed	- statewide view with little program specific knowledge needed	- statewide view but would require program knowledge for the applicable programs	- committee would require some program specific knowledge	- committee would require significant program specific knowledge
Statewide perspective	- statewide focus by the subcommittee with program focus in joint appropriations subcommittees	- statewide focus by the subcommittee with program focus in joint appropriations subcommittees	- rates would be set with statewide and program impacts considered if all IT-related rates as the only revenue in the program	- statewide perspective could mask program specific issues	- statewide perspective could impact program specific issues and program delivery

Staff Recommendation – Committee Involvement Options

Staff recommends that the select subcommittee would review the Unified Computer Budget Summary and make policy decisions and approve ISD internal services rates (Option 3). This option would allow the subcommittee to evaluate the information from a statewide perspective without impacting the remainder of the appropriations process. ISD internal service rates could be approved outside the normal joint appropriations subcommittee without impacting the budgets or funding in the other Department of Administration program budgets. Policy decisions would provide direction for all joint appropriations subcommittees for addressing IT budget issues more consistently, but would not delve into the specific program issues of program budget requests. Making policy decisions and approving ISD internal service rates could be completed in a minimal amount of time, and delays in waiting for decisions from the select subcommittee would have minimal impact on the schedules of the joint appropriations and long-range planning subcommittees.

Staff Recommendations – General

Staff further recommends that the select subcommittee parallel the process followed by the other joint appropriations subcommittees as to reporting its recommendations to House Appropriations, the House of Representatives, Senate Finance and Claims, and the Senate when the general appropriations bill is heard in the respective body. It is also recommended that the report from the select subcommittee be heard before any other section of the general appropriations bill.

Decisions made by the select subcommittee could be communicated between the select subcommittee and joint appropriations subcommittees by having the legislative staff assigned to the select subcommittee brief the lead staff for each of the joint appropriations subcommittees. The joint appropriations subcommittee lead staff could then report to the respective joint appropriations subcommittees on the progress and decisions made by the select subcommittee. The legislators from the joint appropriations subcommittees who serve on the select subcommittee could also provide insight into discussions and decisions made by the select subcommittee.

DEFINITIONS

IT Policy Decision – A high-level general goal or acceptable procedure to guide and determine present and future decisions for using IT in state government.

Budget Decision – A decision to approve or disapprove any portion of the Executive Budget Request – the base, present law, and new proposal decision packages, and internal service rates.

Information Technology – “Data processing mainframe, microcomputer hardware, peripherals, software, special forms, personnel, facility resources, maintenance, training, electronically stored data, or other resources” capable of transmitting or being transmitted

via voice, data, and video channels. (The portion of the definition contained in quotation marks is from 2-15-1-2, MCA. The reference to voice, data, and video channels is included because of the determination made by the interim IT Management Study Subcommittee, at its December 8, 1999, meeting to include voice, data, and video components to the definition of IT as it refers to the Unified Computer Budget Summary.)

Major IT Project – IT projects listed in the statewide significant recommendations section of the Unified Computer Budget Summary submitted to the legislature by the OBPP.

Unified Computer Budget Summary – A report provided to the legislature by the Office of Budget and Program Planning that shows information technology-related actual and adjusted expenditures in fiscal year 2000 and budgeted amounts for each year of the 2003 biennium.

DETAILED DISCUSSION OF OPTIONS

Decisions

In order to determine the process to be used by the 2001 legislature in reviewing and approving IT budget requests, two decisions will need to be made:

1. what legislative committee is appropriate for addressing IT issues during the 2001 legislative session; and
2. what involvement should this committee have in making decisions for using IT in state government?

The committee identified in Section 12 of HB 2 for reviewing the Unified Computer Budget Summary can be involved in the process to varying degrees. The committee could have the least involvement by simply reviewing the information and providing guidance to the joint appropriation subcommittees. On the other extreme, the committee could have a significant involvement by reviewing the information and making all IT budget decisions that would be binding on the joint appropriation subcommittees. The options and a discussion of their implications follow.

Decision Considerations

When evaluating the options for making the following decisions, it is important to focus on the reason for making the decisions in the first place. The motivator for raising the IT issue to the current level of focus is the legislature's concern that it is not able to make policy decisions regarding state investment and expenditures for IT resources.

In order for the legislature to make a policy decision, it must be informed of the issues and impacts that would result from the decision. Two often-competing perspectives enter into the discussion of these decisions. One is the impact the decision will have from a statewide perspective. The other is the impact that the decision will have on the ability of

the affected agencies to deliver their statutorily directed services. When making decisions from a statewide perspective, higher order and more generalized issues tend to dominate the discussion, whereas decisions made from an agency perspective focus on more specific impacts and outcomes. Each of these two perspectives requires a different level of expertise. In order to be effective, decisions should be made by persons who possess the expertise on the specific subject, so they can fully evaluate the alternatives involved in the decision.

In the case of statewide IT policy decisions, those best suited to make an effective policy decision are legislators experienced in evaluating policy issues on a statewide level. However, because of the specific nature of the issue, membership of any legislative committee evaluating statewide IT policies should also include legislators with experience and knowledge of the IT industry and related issues. It's also important to evaluate what will be gained from making decisions from a statewide perspective versus an agency or program perspective. The major benefits from making decisions from a statewide perspective are:

- prioritization of competing needs is desired because of funding limitations;
- unjustified duplications are not desirable;
- consistency is a desired outcome; and
- the return on investment from using an enterprise solution.

If a program perspective is taken, the joint appropriations subcommittees that hear the entire agency budget presentation and that have developed familiarity with agency and program issues are best suited to make decisions on program issues, including IT issues, that do not have statewide impacts. However, some decisions that appear to involve only one agency may actually have statewide implications. For example, capping mainframe costs for a large agency could have a huge impact on all other agencies. These decisions may be better addressed from a statewide perspective.

Options for Committee Selection

Section 12 of HB 2 specifies that the Unified Computer Budget Summary provided by the OBPP shall be reviewed by a committee made up of members from the House Appropriations and Senate Finance and Claims committees. Selecting the appropriate committee to review the Unified Computer Budget Summary is one decision that must be made to enable the unified computer budget to proceed through the 2001 legislature in a way that will provide the greatest benefit to all stakeholders.

Evaluation Criteria

When evaluating the options of which committee is most appropriate to review the information, several factors should be considered:

- restrictions placed on the committee membership by Section 12 of HB 2;

- session logistics;
- committee knowledge of the subject matter and implications of any decisions being made; and
- statewide verses agency or program perspective.

The following options are presented to aid in selecting the appropriate committee to review the Unified Computer Budget Summary. The options and evaluation criteria are summarized in Table 1, page 1. The decision as to the appropriate level of involvement that the committee should have in regard to IT-related issues of the Executive Budget Request is made separately.

All options were specifically developed to meet the restrictions placed on the committee membership by Section 12 of HB 2. Therefore, the criteria for committee membership will not be included in the discussion for each option.

Option 1: Select Subcommittee

Have a select subcommittee of House Appropriations and Senate Finance and Claims members hear the Unified Computer Budget Summary. The select subcommittee would be comprised of two members from each joint appropriations subcommittee, including the LRP. Party and chamber membership could be equally represented on the select subcommittee and could be appointed by the chairmen of the House Appropriations and Senate Finance and Claims committees. If possible, legislators with knowledge of the IT industry and related issues should be selected to serve on the subcommittee.

Session Logistics

A select subcommittee would increase the number of committees meeting during the legislative session so scheduling of committee rooms, committee members, and staff could complicate implementation of this option. However, during the first days of the legislative session, the calendars of the House of Representatives and Senate are minimally burdened with bills in the queue for higher orders of business. These early session days when the calendars of the House of Representatives and Senate are relatively open would provide some flexibility for the members of the select committee to schedule and hold hearings for the Unified Computer Budget Summary.

Subject Matter Knowledge

The membership of the select subcommittee would include representation from all of the joint appropriations subcommittees. The members would bring the agency and program knowledge specific to their joint appropriations subcommittee to the select subcommittee. However, the knowledge the members would have of current agency and program budget issues would be limited to the agency budget hearings that have taken place to that point in time. The members could be selected for their knowledge of the IT industry and related issues. The select subcommittee members would also be able to communicate the concerns and rationale of the select subcommittee decisions to the joint appropriations subcommittee discussions while they make program budget decisions.

Statewide Perspective

By hearing the Unified Computer Budget Summary, the select subcommittee would see the IT-related issues from a statewide perspective. With the membership of the committee made up of legislators from all joint appropriation subcommittees, including the LRP subcommittee, program-specific issues could be included in the evaluation.

Option 2: Long-Range Planning Subcommittee

Have the joint subcommittee on long-range planning hear the unified computer budget information. The subcommittee would hear the Unified Computer Budget Summary and take the appropriate actions as its first activity during the legislative session.

Session Logistics

If the LRP subcommittee is selected to review and take action on the Unified Computer Budget Summary, it should do so as the first activity during the legislative session. Early action by the subcommittee on IT-related issues is needed to minimize the impacts on the rest of the budget approval process that is simultaneously taking place in the other joint appropriations subcommittees. Since most, if not all, of the IT-related budget requests could be integral parts of the program operating budgets of agencies, delays by the LRP subcommittee in taking action would result in inefficiencies in the other joint appropriations subcommittees. Inefficiencies would result when program budgets are heard but decisions cannot be made because of the unknown impacts the LRP subcommittee actions would have on the program budget requests and the associated funding sources. If the joint appropriations subcommittees make decisions on the program budget requests, in anticipation of certain actions by the LRP subcommittee, and the actions are not as they were anticipated, the program operating budgets would need to be revisited. The budgets would either need to be amended in the appropriation subcommittees, House Appropriations, Finance and Claims, or either legislative chamber.

The impacts of the additional workload the LRP subcommittee will face while it deals with the Uniform Computer Budget Summary depends upon the depth of involvement the subcommittee will have in making IT budget decisions. The added workload is in addition to the other work the subcommittee typically has during legislative sessions. A substantial increase in the workload of the subcommittee could impact its ability to make timely decisions on IT issues as well as the normally assigned work.

On the other hand, if the LRP subcommittee hears the Unified Computer Budget Summary and only makes recommendations or policy decisions on statewide IT-related issues, the workload increase would not be substantial. A smaller scope of activities would enable the committee to address its normally assigned work and the additional work of the reviewing the Unified Computer Budget Summary.

Subject Matter Knowledge

The LRP subcommittee hears and provides the initial legislative approval for the Long-Range Building Program, Treasure State Endowment Program, Oil Overcharge Program, State Building Energy Conservation, Resource Indemnity Trust Grant and Loan Program, Cultural and Aesthetic Grant Program, and Information Technology Bonds (when requested). Unlike the budget requests heard by the other joint appropriations subcommittees, the appropriations the LRP subcommittee approve are not for the ongoing operation of the agencies of state government and the state institutions but for the construction or startup of the specific projects.

Statewide Perspective

Having the LRP subcommittee hear and make statewide policy recommendations or decisions would allow a subcommittee that is separate from the subcommittees that hear program budgets to provide direction from a statewide perspective. If the subcommittee delves too deeply into IT budget decisions that are not statewide and are associated with specific programs, the subcommittee would lack the knowledge that the joint appropriation subcommittees would have on program-specific issues and the program impacts of their decisions.

Some situations may exist in agencies where an information technology system may be of significance to the agency but not be included in the statewide significant issues identified in the Unified Computer Budget Summary. Projects of this nature may have specific issues that would be suited for evaluation from a more broad perspective than that of a program or agency perspective. For instance, where an agency has limitations with its traditional funding source and an alternate funding source may be warranted and may be best identified and evaluated in the LRP subcommittee. The LRP subcommittee might be appropriate because of the knowledge the LRP subcommittee members have on alternate funding sources. Another situation may exist where a common concern is raised by several agencies, but has not been presented as a significant statewide issue. The LRP subcommittee may be better suited to evaluate and deal with this situation that may not be of a program-specific nature. In this situation, grouping of similar projects may warrant consideration of a special funding mechanism such as bonding, that the LRP subcommittee is more used to dealing with.

Option 3: Joint Meeting of House Appropriations and Senate Finance and Claims

Hear the Unified Computer Budget Summary and take the appropriate action in a joint meeting of the House Appropriations and Senate Finance and Claims committees. This meeting should take place during the first days of the legislative session.

Session Logistics

During the first days of the legislative session, the calendars of the House of Representatives and Senate are minimally burdened with bills in the queue for higher

orders of business. This would provide some flexibility for the members of House Appropriations and Senate Finance and Claims to attend joint meetings of the two committees.

The membership at this meeting would be large. Typically, a large committee is more effective in making broad policy decisions than more specific budget decisions. The more the committee gets involved in making specific budget decisions, the longer the committee will take to address the IT issues and the less effective the committee will likely be with the time available.

Subject Matter Knowledge

Since the legislators who attend this joint meeting are the members of the joint appropriations and the LRP subcommittees this configuration would provide the broadest knowledge base for addressing both program and statewide issues.

Statewide Perspective

Currently, this committee receives a presentation on the Executive Budget Request and provides guidance on statewide budget issues. If a joint meeting of the House Appropriations and Senate Finance and Claims committees was held to deal with the Unified Computer Budget Summary a larger time commitment would be needed than was required in past legislative sessions. However, it would provide an opportunity for all members of the House Appropriations and Senate Finance and Claims committees to hear the Unified Computer Budget Summary and provide policy guidance for making budget decisions related to state IT resources. This option would allow the committee to review the Unified Computer Budget Summary and make decisions from a statewide perspective but with input on program-specific issues.

Staff Recommendation for Committee Selection

Staff recommends that a select subcommittee address IT-related appropriation issues during the 2001 legislative session (Option 1). A select subcommittee would provide the most flexibility to create a subcommittee made up of legislators with IT knowledge as well as program-specific knowledge, including long-range planning. Since the issue is specific to IT, members with IT knowledge would augment the program knowledge the membership would have. A select subcommittee would also be able to deal with the Unified Computer Budget Summary from a statewide perspective and would not have to do this while competing for committee time with other assigned duties, since the Unified Computer Budget Summary would be the sole reason for the subcommittee's existence.

Options for Determining Level of Involvement

Above, as a separate decision item, a committee would be selected to review and take the appropriate actions regarding the IT budgets. Throughout the remainder of this report the committee selected above will be referred to as "the committee." This section discusses

the options for determining to what extent the committee reviewing the Unified Computer Budget Summary should be involved with making policy and budget decisions for IT-related budget requests.

Evaluation Criteria

When evaluating the options of how involved the committee should be in making decisions on IT issues, several factors should be considered:

- the objectives that are stated in HB 2 for the use of the Unified Computer Budget Summary (“enables the legislature to make policy decisions that result in establishment of and adjustment in computer-related expenditures by agency and program and within fund types”, HB 2, Section 12)
 - This means that the process the legislature establishes to use the information contained in the Unified Computer Budget Summary should be such that the legislature can establish guidelines for how IT resources are used in state government and then effect adjustments to the Executive Budget that will align budgets to reflect the intent of the legislature;
- conformity to budgeting statutes
 - Title 17, Chapter 7, MCA, requires the executive budget to be prepared and submitted to the legislature and the operating budgets controlled by agency and program;
- the impacts the decision will have on the rest of the appropriation process;
- the knowledge the committee members have regarding the issues they will address; and
- statewide verses agency or program perspective.

The following options are presented to aid in selecting the appropriate level of involvement the committee should have in dealing with the IT budgets that are included in the Unified Computer Budget Summary.

Option 1: Policy Recommendations

The committee reviews the Unified Computer Budget Summary and makes recommendations to the joint appropriations subcommittees regarding IT policy decisions. The joint appropriations subcommittees would then hear agency budgets and, while factoring in the committee policy recommendations, make the initial legislative approval of all program budget requests, including setting internal service rates for IT-related services.

Meets objective of HB 2

This option would satisfy the objective stated in HB 2, but with the committee only making recommendations that are not binding upon the joint appropriations subcommittees, the effectiveness of the option may be less than intended in HB 2.

Conformity with Budget Statutes

This option would have the committee make policy recommendations to provide guidance to the joint appropriations subcommittees for making budget decisions. Since the joint appropriations subcommittees would approve the program budget requests as complete program budgets, this option is in line with Budget Act statutes and how the Executive Budget Request is developed.

Impact on Appropriation Process

This option would limit the involvement of the committee to making policy recommendations. As such, this option would minimally impact the appropriation process because the joint appropriations subcommittees could hear and begin making program budget decisions without the need to wait for decisions made by the committee.

Subject Matter Knowledge

With program budgets approved by the joint appropriations subcommittees, the decisions for the program operating budget decisions will be made by legislators with more extensive knowledge of program and associated funding impacts and issues.

Statewide Perspective

The program budget decisions would be made from a program perspective. However, the recommendations from the committee would add guidance for incorporating a statewide perspective into the decisions. This could include recommendations for adjusting the proposed internal service rates as well as recommendations for dealing with IT-related budget requests that are common to more than one agency. However, if the joint appropriation subcommittee does not follow these recommendations and instead weighs the program impacts more heavily than the statewide impacts, the statewide perspective may be lost and not applied consistently for all agencies.

Option 2: Policy Decisions

The committee reviews the Unified Computer Budget Summary, and makes policy decisions for statewide IT issues. The joint appropriations subcommittees would then hear agency budgets and make, in accordance with the policy decisions made by the committee, initial legislative approval of all program budget requests, including setting rates for IT-related proprietary services. The policy decisions of the committee would be binding upon the joint appropriations subcommittees.

Meets objective of HB 2

This option would satisfy the objective stated in HB 2.

Conformity with Budget Statutes

This option would have the committee make policy decisions. Since the joint appropriations subcommittees would approve the program budget requests as complete program budgets, this option is in line with Budget Act statutes and how the Executive Budget Request is developed.

Impact on Appropriation Process

This option would result in minimal impacts on the appropriation process, because the joint appropriations subcommittees could hear and begin making program budget decisions without delays. However, since the policy decisions of the committee would be binding upon the joint appropriations subcommittees, some budget decisions that have been made prior to the committee making policy decisions may need to be revisited to incorporate the policies of the committee. This has the potential of adding inefficiencies to the process.

Subject Matter Knowledge

With program budgets approved by the joint appropriations subcommittees, the decisions for the program operating budgets will be made by legislators with more extensive knowledge of program and associated funding impacts and issues.

Statewide Perspective

The program budget decisions would be made from a program perspective. However, the policies the committee makes would add a statewide influence to the decisions. With this, the joint appropriations subcommittees would no longer have the option of not following the committee's guidance. This is both an advantage and a disadvantage, depending upon the point of view taken. This option assumes that a "one-size-fits-all" approach produces the best outcome. However, some program issues could justify the need to deviate from the statewide approach. In this instance an amendment would be needed in a subsequent stage of the approval process (i.e. House Appropriations).

Option 3: Policy Decisions and Internal Service Rates

The committee reviews the Unified Computer Budget Summary, makes policy decisions for statewide IT issues, and sets the internal service rates for IT-related services. The joint appropriations subcommittees would then hear agency budgets and make, in accordance with the policy decisions made by the committee, initial legislative approval of all program budget requests, except for setting internal service rates for IT-related services.

Meets objective of HB 2

This option would satisfy the objective stated in HB 2. However, with the committee approving IT-related internal service rates, the committee is going beyond making policy decisions to making budget decisions.

Conformity with Budget Statutes

The joint appropriations subcommittees would approve the program budget requests as complete program budgets, except for approving internal service rates for the affected proprietary funded programs. At this time, the only proprietary funded program that has IT-related internal service rates that would be set by the committee is the Information Services Division of the Department of Administration (ISD). The budget for the ISD program is funded by revenue from IT-related internal service rates. As such, the committee could hear the entire program budget without the need for portions of the program to be heard and approved by multiple subcommittees. Therefore, this option is essentially in line with Budget Act statutes and how the Executive Budget Request is developed.

Impact on Appropriation Process

This option would not significantly impact the appropriation process, because the joint appropriations subcommittees could hear and begin making program budget decisions without delays. However, since the policy decisions and internal service rates set by the committee would be binding upon the joint appropriations subcommittees, some budget decisions that have been made prior to committee action may need to be revised to incorporate the policies and any rate adjustment the committee may make. This has the potential of adding inefficiencies to the process.

Subject Matter Knowledge

With program budgets approved by the joint appropriations subcommittees, the decisions for the program operating budgets will be made by legislators with more extensive knowledge of program and associated funding impacts and issues. The only exception is that the committee would be approving the internal service rates for programs (ISD) in which the committee members may not have a great deal of knowledge.

The key knowledge factors that the committee would need to evaluate the internal service rates are:

- services provided by ISD;
- customers served by ISD (who pays);
- how rates are set; and
- how rate changes impact service offerings and user agency budgets.

Through hearings with the ISD staff, the committee could gain the insight on current budget issues. However, the joint appropriations subcommittee that normally approved the ISD budget would have a higher level of historical knowledge of program-specific issues.

Statewide Perspective

The program budget decisions would be made from a program perspective. However, the policies the committee make and the internal service rates the committee set would add a

statewide influence to the decisions. With this, the joint appropriations subcommittees would no longer have the option of not following the committee's guidance. This is both an advantage and a disadvantage, depending upon the point of view taken. This option assumes that a one-size-fits-all approach produces the best outcome. However, some program issues could justify the need to deviate from the statewide approach. In this instance, amendments might be submitted in a subsequent stage of the approval process (i.e. House Appropriations) to address the impacts on the program.

Option 4: Policy Decisions, Internal Service Rates, and Budget Decisions for Major IT Projects

The committee reviews the Unified Computer Budget Summary, makes policy decisions for statewide IT issues, sets the internal service rates for IT-related services that cross agency boundaries, and makes budget decisions for major IT projects. The joint appropriations subcommittees would hear agency budgets and make, in accordance with the policy decisions made by the committee, initial legislative approval of all program budget requests, except for setting rates for IT-related proprietary services and approving the major IT projects approved by the committee.

Meets objective of HB 2

This option would satisfy the objective stated in HB 2. However, with the committee approving IT-related internal service rates and making budget decisions on major IT projects, the committee is going well beyond making policy decisions to making budget decisions.

Conformity with Budget Statutes

This option would add to the duties of the committee the task of making budget decisions on major IT projects that are identified as significant statewide recommendations by the OBPP. This added task would have both the committee and the joint appropriations subcommittees approve portions of program budget requests. As such, program budgets would no longer be approved as a complete program budget. This appears to contradict 17-7-102, MCA, which identifies the program as the principal organizational or budgetary unit within an agency.

Impact on Appropriation Process

This option would impact the joint appropriations subcommittees as they evaluate the budgets of programs with IT budget requests that meet the definition of major IT projects. The joint appropriations subcommittees would not be able to completely evaluate program budgets and their impacts on funding sources until the committee has completed their actions for the affected programs. The delays caused by this, plus the potential adjustments that would result from the policy decisions and internal service rates set by the committee, would add inefficiencies to the process. These delays could impact the ability of the joint appropriations subcommittees to take executive action on all programs in time to report to House Appropriations on time. Scheduling difficulties

and staff availability limitations could adversely impact the effectiveness of legislative, OBPP, and agency staff as they address the needs both the committee and the joint appropriations subcommittees, which could be meeting simultaneously.

Subject Matter Knowledge

With portions of program budgets approved by the committee, the decisions for portions of the program operating budgets would be made by legislators with less extensive knowledge of program and associated funding impacts and issues.

Statewide Perspective

Compared to the previous options, less of the program budget decisions would be made from a program perspective. This option further expands the assumption that a “one-size-fits-all” approach produces the best outcome. However, some program issues could justify the need to deviate from the statewide approach. As such, more amendments might be submitted in a subsequent stage of the approval process (i.e. House Appropriations) to address the impacts on the program. However, the policies the committee make and the internal service rates the committee set would add a statewide influence to the decisions.

Option 5: Policy Decisions, Internal Service Rates, and Budget Decisions on All IT Budget Request

The committee reviews the Unified Computer Budget Summary, makes policy decisions for statewide IT issues, and sets the rates for IT-related proprietary services that cross agency boundaries. In addition to the above, the committee makes all IT budget decisions. The joint appropriations subcommittees would hear agency budgets and make, in accordance with the policy decisions made by the committee, initial legislative approval of all program budget requests, except for setting rates for IT-related proprietary services and approving all IT budget requests approved by the committee.

Meets objective of HB 2

This option goes well beyond the objective stated in HB 2. By having the committee make budget decisions on all IT budget requests, this option would significantly fragment the approval of program budgets to the point that gains in one area of control could significantly impact other areas of the budgeting process.

Conformity with Budget Statutes

This option contradicts 17-7-102, MCA, which identifies the program as the principal organizational or budgetary unit within an agency. By adding this task, both the committee and the joint appropriations subcommittees approve portions of program budget requests. As such, program budgets would no longer be approved as a complete program budget.

Impact on Appropriation Process

This option would significantly impact the joint appropriations subcommittees as they evaluate the budgets of all programs. The joint appropriations subcommittees would not be able to completely evaluate program budgets and their impacts on funding sources until the committee has completed their actions. Significant delays caused by this, plus the potential adjustments that would result from the policy decisions and internal service rates set by the committee, would impact the ability of the joint appropriations subcommittees to take executive action on all programs in time to report to House Appropriations within established deadlines. Scheduling difficulties and staff availability limitations could compound the adverse impacts on the effectiveness of legislative, OBPP, and agency staff as they address the needs both the committee and the joint appropriations subcommittees, which could be meeting simultaneously.

Subject Matter Knowledge

Compared to the other options, larger portions of program budgets would be approved by the committee. As such, more program budget decisions would be made by legislators with less extensive knowledge of program and associated funding impacts and issues.

Statewide Perspective

Compared to the previous options, many of the IT budget decisions made by the committee would not justify the need for a statewide perspective. Program impacts would have more relevance on the decisions than the statewide impact. When IT-related costs are removed from program delivery functions, or when program delivery functions containing IT-related costs are removed from program budgets and approved separately from the remainder of the program, appropriation policies regarding programs would be based on a fragmented program perspective.

Staff Recommendation for Committee Selection

Staff recommends that the select subcommittee would review the Unified Computer Budget Summary and only make policy decisions and approve ISD internal services rates (Option 3). This option would allow the subcommittee to evaluate the information from a statewide perspective without impacting the remainder of the appropriations process. ISD internal service rates could be approved outside the normal joint appropriations subcommittee without impacting the budgets or funding in the other Department of Administration program budgets. Policy decisions would provide direction for all joint appropriations subcommittees for addressing IT budget issues more consistently, but would not delve into the specific program issues of program budget requests. Making policy decisions and approving ISD internal service rates could be completed in a minimal amount of time so delays in waiting for decisions from the select subcommittee would have minimal impact on the schedules of the joint appropriations and long-range planning subcommittees.

RECOMMENDATIONS IN MORE DETAIL

For the purpose of dealing with the Unified Computer Budget Summary, IT-related budget requests, and all their associated IT-related appropriation issues during the 2001 legislature, staff recommends Option 1 of the committee selection decision and Option 3 of the level of involvement decision.

This recommendation would have a select subcommittee formed to address IT-related appropriation issues during the 2001 legislature. The select subcommittee would:

- be made up of members of all joint appropriations subcommittees, including LRP;
- review the Unified Computer Budget Summary and associated IT strategic planning information presented by the Office of Budgets and Program Planning and the Department of Administration;
- formulate policies for using IT within state government (this may require separate legislation to incorporate into substantive law, if desired); and
- review and approve the internal service rates for IT-related proprietary funded programs that charge for services to other state agencies.

The appropriate joint appropriations subcommittee would make all other IT-related budget decisions, which include:

- conduct hearings on agency and program budget request;
- evaluate program budget requests within the constraints of the policies established by the select subcommittee;
- adjust program budget requests to incorporate changes to IT internal service rates that are set by the select subcommittee; and
- make recommendations for approval of program budget requests, including all IT budgeted items.

Staff further recommends that the select subcommittee parallel the process followed by the other joint appropriations subcommittees as to reporting its recommendations to House Appropriations, the House of Representatives, Senate Finance and Claims, and the Senate when the general appropriations bill is heard in the respective body. It is also recommended that the report from the select subcommittee be heard before any other section of the general appropriations bill.

Decisions made by the select subcommittee could be communicated between the select subcommittee and joint appropriations subcommittees by having the legislative staff assigned to the select subcommittee brief the lead staff for each of the joint appropriations subcommittees. The joint appropriations subcommittee lead staff could then report to the respective joint appropriations subcommittees on the progress and decisions made by the select subcommittee. The legislators from the joint appropriations subcommittees who serve on the select subcommittee could also provide insight into discussions and decisions made by the select subcommittee.

Justification for Recommendation

Staff recommends the select subcommittee, because it would provide the most flexibility to create a subcommittee made up of legislators with IT knowledge as well as program-specific knowledge, including long-range planning. Since the issue is specific to IT, members with IT knowledge would augment the program knowledge the membership would have. A select subcommittee would also be able to deal with the Unified Computer Budget Summary from a statewide perspective and would not have to do this while competing for committee time with other assigned duties, since the Unified Computer Budget Summary would be the sole reason for the subcommittee's existence.

Staff recommends that the select subcommittee review the Unified Computer Budget Summary and only make policy decisions and approve ISD internal services rates, because this option would allow the subcommittee to evaluate the information from a statewide perspective without impacting the remainder of the appropriations process. ISD internal service rates could be approved outside the normal joint appropriations subcommittee without impacting the budgets or funding in the other Department of Administration program budgets. Policy decisions would provide direction for all joint appropriations subcommittees for addressing IT budget issues more consistently, but would not delve into the specific program issues of program budget requests. Making policy decisions and approving ISD internal service rates could be completed in a minimal amount of time so that delays in waiting for decisions from the select subcommittee would have minimal impact on the schedules of the joint appropriations and long-range planning subcommittees.